

May 17, 2010

Catherine J. Dupont  
Associate General Counsel  
State of Utah  
Office of Legislative Research and General Counsel

**RE: Risk Adjuster Board Status Update**

Dear Ms. Dupont:

Per your request, this letter provides a brief status report of the primary items currently being discussed or identified for discussion by the State of Utah Defined Contribution Risk Adjuster Board (RAB).

Plan of Operations

A Plan of Operations for the Risk Adjuster Mechanism was submitted by the RAB to the Utah Insurance Department in December 2009. We have had a couple of circulations with the Department responding to questions and requests for additional clarifications. Final changes were approved at the April 2010 RAB meeting and the updated document should be submitted to the Department in the next week.

Obviously, with legislation passed this year both at the State and Federal levels, changes to the RAB Plan of Operations will be required. We are and will continue to monitor and analyze changes required to meet any new legislation and rules, and will modify the Plan of Operations accordingly.

Small Employer Renewal Rates

The process for determining renewal rates for small employer groups in the Exchange has been outlined in the Plan of Operations. Specific details regarding data requirements and associated reports are still being worked through. The Utah All Payer Database (APD) will be source of data. We are working with Dr. Keely Cofrin Allen regarding the data elements, reporting, and timing of the reports to be produced and used. To facilitate the development and ongoing production of these reports, we anticipate there will be a fee paid to the APD by the RAB. The amount is yet to be determined, but we are working to minimize what is required. It is anticipated this fee will be in added to those already charged to groups by the Exchange.

Independent Actuary

The RAB has developed an RFP for an Independent Actuary to perform the work requirements outlined in HB294. Tanji Northrup, of the Utah Insurance Department, is currently working with the State Purchasing Division to post the RFP. We expect to begin

the Q&A phase shortly, and anticipate having a contract awarded and an actuary in place to meet the Exchange deadlines for rate submission this Fall. The RFP anticipates the Exchange providing for monthly effective dates, rather than January only, beginning in 2011, and establishes turn-around requirements for the actuarial reviews to facilitate the change in timing. The manner in which fees or assessments will be charged to cover the costs of the Independent Actuary is still in discussion.

#### Large Employer Pilot

The Risk Adjustment and Premium Allocation Subcommittee (RAPA) of the RAB, has begun discussions regarding process for data gathering, rate development, and risk adjustment. As you know many of the dynamics of the large employer market are much different from the small employer market. We are working to ensure elements of consistency and viability are appropriately addressed for the Exchange in the workflows. We will continue to share more specifics as the details are developed.

#### Out-of-Area Employees

During the limited launch, out-of-area employees were not eligible for coverage in the Exchange. The RAPA and RAB have been discussing options for coverage and risk allocation, and anticipate being able to provide coverage for out-of-area employees of Utah domiciled companies beginning with January 2011 effective dates. We are still finalizing a few items, but the mechanisms and workflows to coverage out-of-area employees will follow those already established for Utah employees.

#### Board Composition

In just one year of operation, the RAB has had several changes to its composition with new participating carriers and a couple of RAB members leaving their representative companies. Participating carrier representatives and the covered group/employee representative must go through the normal Senate approval process before they become a voting member of the RAB. The time required for the approval process created some challenges this past year in forming a quorum at several of our RAB meetings. The changes to the definition of a quorum provide in HB294, should alleviate most of the challenges we encountered. We do not believe any further changes to allow RAB members to retain their position as representatives of a former employer are required nor would they be appropriate.

We appreciate the opportunity to provide this report to you.

Sincerely,

Mark A. Brown, FSA, MAAA  
Chair, Utah Defined Contribution Risk Adjuster Board